THE GOVERNMENT SAVINGS LAWS (AMENDMENT) BILL, 1985

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): Madam, I beg to move:

"That the Bill further to amend the Government Savings Banks Act, 1873 and the Government Savings Certificates Act, 1959 as passed by the Lok Sabha, be taken into consideration."

Madam, the Bill approved by Lok Sabha is a simple and non-controversial one aimed at speedy settlement of claims of heirs of deceased investors in small savings schemes, and thereby mitigating their hardship especially to the widows and dependent children. Section 4 of the Government Savings Banks Act, 1873 and Section 6 of the Government Savings Certificates Act, 1959 provide the facility of nomination to the depositors in post office savings bank and holders of National Saving Certificates. In the case of death of a depositor or a certificate holder, the nominee becomes entitled to receive the sum due. In spite of publicity and special campaigns, a large number of depositors and savings certificate holders have not made nominations. In such cases, heirs of the deceased have to produce legal proof if the amounts due exceed Rs. 5,000. It is time consuming and can be expensive, causing hardship. This limit of Rs. 5,000 was fixed in 1959 on the basis of the money value then. Over the years, the investment in small savings has increased enormously. From the net small savings collections of Rs. 84 crores in 1959, the present level of net collection is of the order of Rs. 3,500 crores.

The Department of Posts have stated that a large number of claims, exceeding Rs. 5,000 each, are pending with them for want of legal proof of succession. In order to remove hardship to such persons it is proposed to amend the Acts to delete the limit of Rs. 5,000 and to empower the Central Government to provide by rules from time to time the limits up to which claims could be settled without insisting on production of legal proof of succession. The limits prescribed in the rules will be laid before each House of Parliament. The instructions issued by the Department of Posts for settlement of claims without production of legal evidence contain safeguards for payment of claims to the rightful persons.

Madam, I would now commend the Bill for the consideration by this House.

The question was proposed

THE DEPUTY CHAIRMAN: Yes, Smt. Ila Bhattacharya.

*SHRIMATI ILA BHATTACHARYA (Tripura): Hon. Madam Deputy Chairman, the Hon. Minister of State for Finance seeks to omit the limit on deposits for successors through the present amending Bill. A limit on deposits for succession purposes was imposed by the Government Savings Banks Act, 1873 and the Government Savings Certificates Act, 1959. Under the said two Acts, the depositors were required to submit the names of their nominees to the Banks or Post Offices so that their successors may not find difficulties in getting money after their death. But in most of the cases it is found that the depositors do not submit the names of their nominees to the concerned authorities of the Government Savings Banks while depositing money with them or purchasing National Savings Certificates. Consequently, the successors face difficulties in withdrawing money from the accounts of original owners.

*English translation of the original speech delivered in Bengali.

[Shrimati Ila Bhattacharya]

That is why, during the British days, the Government Savings Banks Act, 1873, was enacted to enable the concerned authorities to make payments to the successors without production of legal proof of succession if the amount of deposits was limited to Rs. 5,000 only. Similar provision was made in the Government Savings Certificates Act, 1959, to deal with succession cases in relation to National Savings Certificates.

The Hon. Minister has submitted a new proposal through the present amending Bill. The Act of 1873 provided for a ceiling of Rs. 5000 on depositor's money. Now the present amending Bill seeks to omit that ceiling of Rs. 5000. The reason being that the value of money has gone down very much these days. Therefore, there is no necessity to impose any ceiling upon the deposited money. This is the proposal of the present Bill. Another proposal in the present Bill empowers the appropriate authorities to fix from time to time limits upto which claims can be settled. It shows how much money a successor can get, will depend upon the sweet-will of the concerned authorities. So, this proposal is defective. Now the value of money has gone down very much. One hundred twenty six years ago the value of Rs. 5000 was much more than the value of same amount of money these days. So, our purpose will be served if we simply raise the present ceiling.

The present Bill has given unlimited powers to the Bank authorities. This is not logical. Human beings have always failed to use judiciously unlimited powers, whether political or economic. So, unlimited powers are liable to be misused some day. That is why I feel that we should not accept this sort of proposal. Our purpose will be served if the ceiling limit is raised to Rs. 20,000 or Rs. 25,000.

The hon. Minister has said that it is highly expensive and time-consuming for the successors to obtain Succession Certificates. I also feel that there is no need for Succession Certificates. At the same time I feel that it is not logical to give unlimited powers to concerned authorities to determine who the real successors are and how much money they can get. The best course for the Minister will be to raise the ceiling limit. Whatever powers will be given to the concerned authorities, should now be given with the consent of the House.

I would like to say that we are passing through critical economic condition. Now-a-days it is very difficult for the people to save money. But, despite hard days, we must go on encouraging the people to save money. People are encouraged to save money when they find that their successors are benefited by their savings. The Government can utilise these savings for developmental works. So, I feel that the Government should embark upon wide publicity to encourage the poor people in rural areas and in urban slums to save money for their rainy days. Wide publicity will expand the scope of small savings among poor people. I, therefore, request the Hon. Minister to give special emphasis upon publicity for small savings.

I do not support the proposals the way they have been made in the present Bill. I want that the ceiling should not be removed. It can be raised to Rs. 20,000. Again I want that the unlimited powers should not be given to Bank authorities.

Madam, you have seen the pictures of landless poor farmers which have been published in the latest edition of 'India Today'. Those poor farmers have been issued notices by Banks to the effect that they have borrowed this much amount of money from Banks for the purchase of pump sets for irrigation purposes. Those poor farmers have never bor-

rowed money from the Banks. But they are served with notices to refund the money. I would request the Hon. Minister to see the latest edition of 'India Today' to know the kind of corruption which is going on in the Banks.

I cannot support the Bill as, firstly, I propose to raise the limit of ceiling upto Rs. 20,000 and , secondly, I do not want unlimited powers for the concerned authorities. I want that powers should be given to the concerned authorities only with the consent of Parliament.

Thank you.

SHRI RAMESHWAR THAKUR (Bihar): Madam Deputy Chairman, the Bill moved by the hon. Minister relates to simple amendments—one relating to section 4A of the Government Savings Banks Act 1873 and the other relating to section 7 of the Government Savings Certificates Act, 1959, in both cases substituting the words "five thousand rupees" with "such limit as may be prescribed." The Statement of Objects and Reasons that the existing limit of five thousand was fixed long time back and is sought to be omitted, empowering the Central Government to provide by rules from time to time appropriate limits up to which claims could be settled by the authorities without insisting on legal proof of succession, is tenable and sound and I support the same. But in order to appreciate the amendments it may be of use to mention in brief that these two Acts which were enacted—one 112 years back and the other 26 years back—had a laudable object—i.e. to encourage and regulate small savings in rural and urban areas. The fiscal policy of the Government takes care of generation of income, saving, investment, taxation, public expenditure and management of public debt in order to achieve the desired objectives and goals. Rapid economic development through Five Year Plans, generation of employment, establishment of a strong, democratic, secular, socialist and prosperous State are some of the objectives.

Adequate resource mobilisation has been a basic contraint with most of the developing countries of the Third World. Heavy dependence on foreign assistance not only creates burden of debt servicing but also creates major economic and political problems, as is evident in a number of developing countries. The role of self-reliance and internal generation of resources through small savings is very important in this direction. In spite of the fact that our outlays in the successive Plans have been going up, we have been able to generate substantial internal resources. We are aware that our Plan outlay increased from Rs. 3360 crores in the First Plan to Rs. 6750 crores in the Second, to Rs. 10,400 crores in the Third, to Rs. 24,882 crores in the Fourth, to Rs. 66,372 crores in the Fifth and to 1,58,710 crores in the Sixth Plan. It is important that during the Sixth Plan, out of the total outlay our foreign investment was of the order of Rs. 9,663 crores—about 5.7 per cent—and the net balance of Rs. 1,49,667 crores was financed through domestic savings. During the period of the Seventh Plan, it is likely to be of the highest order —i.e. Rs. 3,20,000 crores—which will be much higher than the total cumulative aggregate investment from the First to Sixth Plan. Therefore, in this connection it is essential to determine what steps should be taken to accelerate and increase our savings during the Sixth Plan so that the likely gap in the resources of the Seventh Plan, which is estimated at 30 to 40 thousand crores, may be partly met out of the small savings during the next five years In this connection, the collections made through small savings are important As the hon. Minister has said, it was less than 100 crores in 1959. It has gone up to Rs. 3,576 crores during the year 1984-85 and it is expected that during the current year—1985-86—it will be Rs. 3,900 crores.

[Shri Rameshwar Thakur]

It is for consideration, so far as the Seventh Plan is concerned, whether with effective publicity and organization we cannot do a more commendable job, particularly in the rural areas, and also in the urban areas, to collect and mobilize more resources and whether we cannot make it at least of the order of, say, Rs. 5,000 crores every year during the Seventh Plan period. This will partly meet the resources gap that we will have in the Seventh Plan.

In this connection I would make a few suggestions to the hon. Minister. One is in regard to a closer examination of the various schemes that we have got in regard to small savings, like Time Deposit Accounts, Recurring Deposit Accounts, Social Security Certificates, etc. I would not like to take much time of the House. Closer examination is required of the efficacy of these schemes, their utility, their returns, their popularity among the people. It is also for consideration whether it is not time that a new scheme should be evolved, which would be more popular as we have in the case of the LIC and the Unit Trust. Occasionally we have new schemes which are more acceptable to the people, particularly in the rural areas. Therefore, it is essential that a new scheme which can give better returns and which will be more acceptable to the people should be evolved during the current year.

Secondly, in regard to the various schemes we have to see that there are more personnel. Presently, apart from the personnel of the National Savings Organization, a number of agencies and services are being utilized, like the Standardized Agency, Mahila Pradhan Kshetriya Bachat Yojana, Pay Roll Savings Scheme, Sanchayika and Extra-Departmental Postmasters. We have many young unemployed people in the rural areas as well as in the urban areas. It is for consideration whether we could involve more and more people in these schemes and new agents could be appointed in larger numbers so that these schemes could be more popularized and a larger mobilization of savings made so far as these schemes are concerned... *(Time bell rings)*...Madam, I will take only a few more minutes.

Once suggestion is with regard to publicity. Though now the publicity is done through the DAVP, I think a new network of TV and other media is essential. It is necessary that the publicity should be more intentive, more oriented towards the rural areas, in the local languages, so that the publicity is more sustained and effective in order that we have better results.

Here I would also like the hon. Minister to give some clarifications. One is in regard to this question that when we remove the limit of Rs. 5,000, will it not create any administrative problems? There are doubts in the minds of some hon. Members that there may be administrative misuse unless statutory rules are made and laid before the Houses of Parliament. Unless it is made known to the people and if it is on a longer basis, then it might create some problems. Therefore, this aspect needs clarification.

Another clarification required is with regard to nominations. As in the case of the LIC policies nominations should be administered at the time of deposit. Why is there a failure on this score? Why have we got a large number of deposits where nominations are not there? We should not accept deposits and agents and others who are responsible for this must ensure that the nominations are made as and when the deposits are made so that it would avoid difficulties--which were explained and which are being experienced.

The third clarification I would like to seek from the hon. Minster is with regard to imbalance in the appoint-

ment of agents in the different States. I will give just one example. There are 43,000 agents in the case of SAS. Now, in two States they have about 50 per cent of these agents. And all the rest of the States are less than 50 per cent. I find in other categories also. There is no time. I would not give the data. But I would like a minor clarification from the hon. Minister. Why is there so much imbalance in the case of appointment of agents? Why is the drive not sustained in all these States? Why should we not go where we get more money? There are potential areas where savings could be augmented. The collection in respect of the States is the basis which could give two-third loans to those States, and, therefore, it is essential that there should be proper organisation in all the States.

The next point which I would like the hon. Minister to clarify is whether there is a distinction or discrimination or delay in giving two-third loans to various States which are entitled to them under the scheme.

The next point on which I would like a clarification from the hon. Minister is about bonus that is being given. For example, Karnatak was given bonus of Rs. 5 crores. What is the effect of that. Such a huge amount is being given as incentive bonus. What is the follow up action? What is the effect of it in the subsequent years, whether we are getting more and more collections in States where we give substantial bonus and whether it could be a smaller bonus and could be spread over a larger number of States?

Next, why is this cost of collection going up? The details given in the chart show that the cost of collection is still on the higher side. I would mention that when the collections have gone up-for instance, from Rs. 100 crores or Rs. 85 crores it has gone up to Rs. 3500 crores the per unit cost should be less when there is a larger collection, the per unit cost should be less. We know, there is general enhancement of cost, no doubt. But, nevertheless, the per unit cost should be less. In this connection, I would like to have a clarification from the hon. Minister. What steps are being taken to minimise or at least to control the cost and to augment more and more resources through these schenue.

The last clarification that I would like to have is whether target has been fixed for the Seventh Five-year Plan. What are the special schemes and plans that are to be undertaken during the Seventh Five-year Plan? How is the imbalance in different States going to be removed or at least minimised during the Seventh Five-Year Plan? And to what extent is this scheme likely to meet the resource of the Seventh Five-Year Plan through sustained efforts during the coming years?

Thank you, Madam.

THE DEPUTY CHAIRMAN: Mr. R. Ramakrishnan.

SHRI R. RAMAKRISHNAN (Tamil Nadu): Are we going to adjourn for lunch, Madam?

THE DEPUTY CHAIRMAN: I do not know.

SHRI R. RAMAKRISHNAN: The new ruling is to adjourn at 1 o'clock I do not mind.

THE DEPUTY CHAIRMAN: On other days we adjourned at 1-30. On Friday we adjourned at 1 O'clock. I would like at least two Members to finish.

SHRI R. RAMAKRISHNAN: O.K. Madam, Deputy Chairman, this Bill is a very welcome one and very simple one. I was thinking that there was not much to speak on it. But I got doubts after hearing my friend, Mr. Rameshwar Thakur. He is, no doubt, an expert and he has made several points related to this Bill.

THE DEPUTY CHAIRMAN: Your doubts should not make you to speak longer.

SHRI R. RAMAKRISHNAN: You do not have to worry, Madam. I will restrict. I will be brief in my points.

[Shri R. Ramakrishnan]

Madam, this Bill is a welcome forerunner of many administrative reforms which are to come about because this will definitely simplify the bureaucratic delays which are there, and I very wholeheartedly welcome this Bill.

While doing so, Madam, I would like to say a few things about savings in this country. Particularly in view of the resource constraint which we are having in the Seventh Five-Year Plan, I think, this is all the more important because mopping up savings, that too particularly small savings, becomes very essential if we are going to go ahead with our development and have the necessary thrust into the 21st century.

Every child has got the saving habit. You know, small children are given the pigmy bank. Even the Syndicate Bank in the place from which the hon. Minister comes, had a Pigmy Deposit Scheme, and the collectors from that Bank would come and take one anna, two annas, four annas everyday and write in the book. They collected the small savings of the children, the students and the people. In this way, the saving habit is inculcated. Particularly the small savings because of the wide dispersal across the country, you can tap from the lowest strata of the society for the national cause. This becomes all the more important.

In this connection, Madam, the importance of the small savings has been recognised by the Tamil Nadu State. It has done very well. Our revered leader and Chief Minister, MGR, was himself the Chairman of the Tamil Nadu Small Savings Organisation, and during his period we marke giant strides. Now, as Chief Minister, he is taking a very keen interest in seeing that we come in the forefront.

1 P.M. Now coming to the point of nationalisation, Madam, the the small savings certificate, they give very low interest. There are different certificates for different periods, but the interest given is very low. There is a definite case for increasing the interest rate, because it is going to reach far and wide across all strata of society. The income-tax benefits are there upto a certain limit. I think there is a strong case for making it upward so that any investment in small savings should be totally tax free. I think the maximum limit of tax free interest at present is Rs. 8,000 or Rs. 10,000.

SHRI JAGESH DESAI (Maharashtra): The maximum limit is upto Rs. 7,000/-.

SHRI R. RAMAKRISHNAN: Mr. Desai is a Chartered Accountant and he knows better.

I wll go one step further as the Chelliaha Committee report on black money was recently discussed. Now, I would like to suggest to the Honourable Minister that he should consider that for any savings in small certificates for a particular period of time notified by the Government, no questions should be asked. In this way so much of cash resources which are available in the form of black money will come out into open. This can be mobilised. This will be one opportunity to declare a moratorium for a specific period. It can be either one month or two months. Then, you can close it. Then you can say any investment in small sevings during that period, no questions will be asked. In this way, you can mop up a lot of money for the national effort.

With these few words. I would very much welcome this Bill.

THE DEPUTY CHAIRMAN: Mr. Jagesh Desai.

SHRI JAGESH DESAI: Madam Deputy Chairman, I welcome this Bill. It appears to me that the Government has a soft corner towards the poorer sections of the people. This is a welcome Bill. But I would like to make some suggestions so that the payments are made to right persons

and it reaches them, Madam, there should be guidelines that the payment should be made to the eldest son if he is of a sound mind. If he is not in a sound mind then the payment should be made to the next eldest son. The payment should be made at least in the presence of two persons so that it reaches the person for whom it is meant.

SHRI NIRMAL CHATTERJEE (West Bengal): If the eldest is a daughter.

SHRI JAGESH DESAI: If there are *no sons then daughters.*

Madam, as far as possible the amount should be paid through cheque. Alternatively a new account can be opened in the name of their eldest son and by and by he can withdraw the money whenever he likes. it.

Madam, a special campaign should be launched by the Postal Department wherever there are no nominations. I think they might be having a list of these persons and they can go there with the nomination papers and obtain nominations so that it can be given to the person who is nominated by a person—and opens the account.

I also agree with my hon, freind, Shri R. Ramakrishnan that the rate of interest should be enhanced. Not only that you have to distinguish between the interest earned from the bank deposits of the natioanlised banks and on the national savings certificate. You should give more stress on the income of interest from the national savings certificate and postal savings account. You should give extra Rs. 5,000 or 7,000 by way of allowance under Section 80 L for the national savings certificate and post office savings account so that people can invest spontaneously. The rich people and the business community who are having surplus funds are putting that money in the fixed deposits and after some time they are withdrawing it. But the hard-earned money of professors, teachers and middle class people who invest in the national savings certificate are not getting attractive interest. I would like the Minister to consider this proposal.

Madam, we are committed to the public sector. we want resources should be generated for the public sector. I would request the Government that we should establish one *Corporation like public sector Financial* Corporation. At the moment, we have shortage of funds for Public Sector. A separate scheme of savings for the purposes of public sector should be initiated by the Government so that people like Mr. Nirmal Chatterjee and me, who believe in public sector, they will put money then in this kind of schemes.

Thirdly, funds which are received from this scheme should be earmarked for public sector only. The funds should be given only for the public sector purposes. This is earmarked saving certificate so that our public sector can grow and they can have resources so that we can once again say that we believe in public sector and these are our schemes. Till you float bonds for the public sector undertakings, and after you float it, the money should be handed over to this Corporation so that with that money, we can feed the pubic sector and the public sector can grow. In the case of public provident fund scheme, 15 years will be over this year. We would like to see that these funds are not withdrawn and that is why, the Government must give some more interest and incentive. I had put the question and the reply was that we are giving interest, we are giving the income tax rebate. If they want, they can again extend the accounts for five years. But I would say we should bring about some such

[Shri Jagesh Desai]

schemes so that these amounts are not withdrawn. Otherwise, I fear, at the end of the year, there may be such heavy withdrawals that it will be difficult for you to make your budgetry provisions in this regard. I would like to say another two-three points. We have to encourage savings. Resources are required. You have reduced income tax rates. I hope that you may not get the same amount but something more than what you got because of the inflation. But if the scheme is that we are again going to reduce the rate of income tax, I do not agree. At the same time, we have to see such schemes. At the present, you are giving Rs. 40,000 by way of investment in public provident fund etc. for deduction under section 80-C. Rs. 40,000 limit you have kept. I feel a time has come when we should increase it to Rs. 60,000 and secondly for the 6,000 you are giving 6,000, for the next six thousand, you are giving 50 percent and on balance 40 percent. I feel that time has come if you want that resources are to be mobilised, then you have to change these slabs. First ten thousand will be given in full, next ten thousand should be given at 50 percent and balance at 40 percent. If it is done, honest tax payers, who want to pay tax, they will save the amount and Government will get resources and that is why I take this opportunity, once again, to request the Government that you should ponder over this scheme and increase this exemption under 80C. For national savings certificate, a separate scheme should be there. The whole amount of interest in National Savings Certificates, it may be Rs. 20,000 or Rs. 30,000, you must allow full deduction so that we can give the encouragement for this reason. Secondly, I think, the Government is thinking to increase the limit to Rs. 20,000, but what is Rs. 20,000. If I put the money in the National Savings certificates, after 12 years, it may become Rs. 40,000. While framing rules, you have to state that it is the face value of Rs. 20,000 and not the encashment value You must make it a point that it should be a face value and not the value which is to be paid at the time of maturity. With these words, I support this Bill.

THE DEPUTY CHAIRMAN: Now, we have four more speakers on this Bill and if the House desires, we can finish it by 1.30 P.M. If the House desires, we can sit late and the Minister reply can be short. After Lunch, it is a private members day. So, it will spill over either at 6.00 P.M or 6.30 P.M. or on Monday.

SHRI R. RAMAKRISHNAN: After 5-00.

THE DEPUTY CHAIRMAN: At 5.00 the Prime Minister is going to make a statement.

SHRI R. RAMAKRISHNAN: We can take it up at 5-30.

THE DEPUTY CHAIRMAN: All right. The House is adjourned for lunch till 2-30. pm.

The House then adjourned for lunch at eleven minutes past one of the clock.

The House reassembled, after lunch, at thirty two minutes past two of the clock, **The Deputy Chairman** in the Chair.

RESOLUTION RE. APPOINTMENT OF A PARLIAMENTARY COMMITTEE TO GO INTO THE WORKING OF BANKS—contd.

SHRI NAND KISHORE BHATT (Madhya Pradesh): Madam Deputy Chairman, the resolution of Shri Ramakrishnan has been thoroughly gone into. We have examined all its aspects. As one connected with the banking industry and those thousands of employees working there,